

Real Estate and Other Investment Options

Chapter Objectives

After completing this chapter, you will be able to:

▶ Section 32.1 Real Estate

- **Describe** the three types of residential property.
- **Discuss** aspects of home buying that a potential home owner should know.
- **Determine** the differences between rental property and undeveloped property.

▶ Section 32.2 Other Investment Options

- **Describe** how precious metals, precious gems, and other commodities as well as collectibles can impact an investment plan.
- **Discuss** the advantages and disadvantages of buying and selling collectibles online.

Ask

STANDARD & POOR'S

Investing in Bonds and Real Estate: Credit Quality and Volatility

Q: How do you evaluate whether a bond fund is right for your portfolio?

A: When you buy bonds, you are basically lending your money to the issuer of the bond. A bond fund is like a mutual fund that aims to earn income without taking on unreasonable risk by investing in bonds. Bond funds also pay out regular income dividend distributions to shareholders. Although there is a common misconception among investors that bonds and bond funds are low-risk, there are a number of risks associated with both. These include credit, prepayment, and interest rate risks. Credit risk is the possibility that the issuers of the bonds may default, or not pay back the debt. Prepayment risk is the chance that the issuers will prepay at a time when interest rates have declined. Interest rate risk involves the risk that the market value of the bonds owned by a fund will fluctuate as interest rates do. The prospectus of a bond fund should disclose these and any additional risks.

Mathematics John is comparing his credit score with his friends' scores. His friends' scores are 723, 591, 645, 614, and 702, and his score is 661. Is his above or below the mean average of his friends'?

CONCEPT **Measures of Central Tendency** Single numbers can represent a whole list of numerical data. Three of these measures are the mean, the median, and the mode. The mean is the sum of the data divided by the number of items in the set.



● **The American Dream** Buying a home is the most expensive purchase most Americans will make. **Why do you think home ownership is so popular if it is so expensive?**

Real Estate

Reading Guide

Before You Read

Think about the different types of homes, commercial buildings, and other properties in which you could invest.

Read to Learn

- Describe the three types of residential property.
- Discuss aspects of home buying that a potential home owner should know.
- Determine the differences between rental property and undeveloped property.

The Main Idea

Real estate is an investment option. Residential property, such as single-family homes, is usually considered a good investment. Property can also generate income.

Key Concepts

- Investing in Real Estate
- Buying a Home
- Income Property

Vocabulary

Key Terms

real estate	income property
residential property	rental property
real estate agent	undeveloped property
equity	

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

attached	assembled
fluctuate	nevertheless

Graphic Organizer

List some types of real estate in a chart like the one below.

Types of Real Estate

Homes	Income Property



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

NCTE 9 Develop an understanding of diversity in language use across cultures

Mathematics

Problem Solving Solve problems that arise in mathematics and in other contexts

Investing in Real Estate

Real estate has always been a favorite investment for Americans. **Real estate** is land and anything **attached** to it, such as buildings or natural resources. Unlike stocks and bonds, a piece of property is something you can use. You can take pride in owning it. However, if you are new to the real estate market, you may be confused by the different choices you face.

For most Americans, a home is their largest financial asset. A home is usually considered a good investment because, generally, home prices have risen steadily over the years. This does not necessarily mean that the return on home ownership is better than on other types of investments. It also does not mean that everyone finds it to be a good investment. For example, some people buy homes in unpopular locations, where home values are stagnant or do not rise much. In other cases, people buy when the price is extraordinarily high and sell when prices have fallen. Homes **fluctuate** in value, just like other investments.

Buying a house is the most expensive purchase and major investment most people make in their lives. Before buying a home, there are a number of factors to consider.

Types of Homes

Residential property is property in which an individual or family lives. Single-family homes, multi-unit housing, and manufactured homes are forms of residential property. The type of residential property that people pick depends on their income and needs.



Reading Check

Identify What are the three types of residential properties?



Tax Advantages

Homeowners can deduct the mortgage interest they pay each year on their federal income tax forms. This allows homeowners to lower their reported income, which decreases the amount of tax they owe. Property taxes are also deductible. *What are some other advantages of owning a home?*

International Business

International Real Estate

International real estate can be complicated and should not be purchased on impulse. As appealing as an Italian villa might be, there are risks and regulations to consider. Currencies can be unstable, the political climate might not be receptive to foreigners owning property, and ownership laws can be complex. Potential buyers need to put thought and research into their purchase.

Examples of Languages Across Cultures

Q: In Greek, how do you say “How do you do?”

A: χαίρω πολύ. (pronounced: ‘khai-ro po-’lēē)

Research some of the precautions people need to be aware of when buying real estate in Italy. What are some of the laws and restrictions Italy has when it comes to foreigners buying property?

As You Read

Think about the different types of homes you have seen. What type would you like to own?

Single-Family Homes The most popular residential property is the single-family house. It is usually on its own lot with its own yard. It is separate from other buildings and provides privacy. Single-family houses range from modest two-bedroom homes to huge mansions. **Figure 32.1** includes median home costs in different parts of the United States.

Multi-Unit Housing Multi-unit houses are usually single buildings divided into various units, with a separate person or family living in each unit. Multi-unit housing includes duplexes, townhouses, condominiums (or condos), and cooperatives (or co-ops). A *duplex* is a house that is divided into two halves and is inhabited by two families with separate entrances. A *townhouse* is usually a single-family house of two or three stories that shares a wall with a similar house. A *condominium* is a building or complex in which units of property, such as apartments, are owned by individuals. Each owner pays a monthly fee for maintenance and renovations of common areas. A *cooperative* is a jointly owned apartment building. Each co-op owner pays a monthly fee to pay for maintenance renovations of common areas, and, real estate taxes.

Manufactured Homes A manufactured home is usually one of two types. Prefabricated houses are partly **assembled** at a factory. The pieces are then transported to a building site and put together there. The other type is a mobile home. Mobile homes are usually fully assembled in factories. Generally small, they **nevertheless** contain many of the features of larger houses, such as fully equipped kitchens, bathrooms, and fireplaces. Mobile-home owners often do not own any land but rent space for the house. Because manufactured homes can be inexpensively mass-produced, they usually cost much less than other types of houses.



Building Equity As you pay down the principal of your home, your equity increases. For example, if you make a \$30,000 down payment on a \$150,000 house and pay \$3,000 of principal over four years, your equity will increase from \$30,000 to \$33,000. Your equity also increases as the value of your home increases. *What would your equity be if the value of your home increased by \$20,000 over those four years?*

Buying a Home

Few people have enough money to pay for a house in full. Most have to finance it with a *home mortgage loan*, or a long-term property loan. To buy a house also requires a down payment, which is usually 20 percent. The down payment is money that a potential home buyer must provide to obtain the loan. That means if you want to buy a house for \$100,000, you need \$20,000 for the down payment. The higher the down payment, the lower the mortgage loan will be.

Homebuyers often obtain a real estate agent to help them find a home. A **real estate agent** is a person licensed to arrange the buying and selling of homes and other types of real estate. Real estate agents usually charge their fees to the seller and not the buyer. You must be at least 18 years old to buy real estate on your own.

Figure 32.1 – Housing Costs

Location	Average Household Income	Median Home Price	Price-to-Income Ratio
Atlanta, GA	\$95,146	\$170,859	1.80
Baltimore, MD	102,474	230,681	2.25
Boston, MA	116,736	289,596	2.78
Chicago, IL	103,335	225,826	2.18
Dallas, TX	102,147	126,728	1.24
Detroit, MI	83,792	118,894	1.42
Houston, TX	102,129	107,041	1.05
Los Angeles, CA	101,088	405,668	4.01
Miami, FL	84,753	217,430	2.57
New York, NY	114,379	403,375	3.53
Philadelphia, PA	107,030	195,813	1.83
San Francisco, CA	150,877	678,082	4.49

Source: Housing Prices in America: Valuation Methodology & Findings, National City Corporation

The Cost of Living The value of housing in different regions of the country can vary considerably. Review the average household income, median home price, and the price-to-income ratio for selected metropolitan areas. **In which three areas will the average person use the most income for housing? In which area will a person pay the least?**

Home Values

Several factors affect the value of a house, including its size, condition, quality, and location. Location is especially important. The distance between your home and work, available public transportation, and the quality of your local school system and public services also affect a home's value.

Home Equity The amount of equity you have in a home is very important. **Equity** is the value of a piece of property less the amount still owed on the money borrowed to purchase it. It is the amount on the house you actually own as opposed to how much you owe.



Reading Check

Analyze Would it be a good investment to buy a house at a very low price in an area where the major employer has moved away?

Income Property

Another reason for buying real estate is to obtain **income property**, or property used to generate income. With income property, the owner can produce income in two ways, depending on the property. They can collect rent or sell the property for a profit.

Rental property is any type of dwelling unit or other property rented for a length of time. An apartment building is a common form of rental property. Commercial property is another type. Commercial properties are rented to businesses. They include buildings for warehouses, offices, and restaurants. Sometimes land is rented to produce crops, graze cattle or sheep, or harvest natural resources, such as timber.

Undeveloped property is unused land intended only for investment purposes. The land usually does not have utility services. It cannot be farmed because it has not been cleared. Most people who invest in undeveloped property hope that its value will increase over the years. In some cases, though, the land's value stays the same or decreases. For example, a planned highway might never be built, leaving the land along its proposed route undeveloped. With undeveloped land, there is no rent paid to the owner. The financial gain earned on undeveloped property comes through the sale of the property after it has risen in value.

Section 32.1

After You Read



Review Key Concepts

1. Describe different types of residential property.
2. What are some factors to consider before buying a home?
3. Discuss the two forms of income property.

Academic Skills

4. **Mathematics** Maria is thinking of investing \$300,000 in bonds that would pay 7% interest annually or using the money to buy rental property. How much money would she have to receive in rent for the rental property to give her a higher return on her investment than on the bonds?

CONCEPT

Problem Solving When solving a word problem, carefully examine the knowns and the unknowns. Then determine how to write an equation that answers the question.



For math help, go to the Math Appendix.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Other Investment Options

Reading Guide

Before You Read

Think about the different types of items that you could collect that might make good investments.

Read to Learn

- Describe how precious metals, precious gems, and other commodities as well as collectibles can impact an investment plan.
- Discuss the advantages and disadvantages of buying and selling collectibles online.

The Main Idea

Investment plans should include a variety of investments. Aside from real estate, stocks, and bonds, a diversified portfolio might include commodities, such as precious metals and precious gems, as well as collectibles.

Key Concepts

- Diversifying Your Investment Plan
- Investing in Collectibles

Vocabulary

Key Terms

diversify
precious metals
precious gems
commodities exchange
collectibles
fraud

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

finally
despite

sites
schemes

Graphic Organizer

List four diversified investments you can investigate in a graphic like the one below.

Diversified Investments



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

- NCTE 1** Read texts to acquire new information
NCTE 3 Apply strategies to interpret texts
NCTE 12 Use language to accomplish individual purposes

Science

Content Standard F Students should develop understanding of environmental quality and natural and human-induced hazards

Diversifying Your Investment Plan

There are many different types of investments from which to choose, allowing people to diversify their plan. To **diversify** means to vary investments in order to spread risk or to expand. A diversified investment plan (or portfolio) might include real estate, stocks, bonds, and commodities. It could also include precious metals, gems, and collectibles.

As You Read

Think about some different uses of precious metals and precious gems.

Investing in Precious Metals

Many people invest their money in precious metals as a hedge against inflation. A *hedge* is a means of protection or defense against loss. **Precious metals** include valuable ores such as silver, gold, and platinum. They are commodities that are usually valued by the ounce. The price of gold rises when people believe that war, political unrest, or inflation may be near. For example, in 1979, the price of gold was about \$100 per ounce. As inflation and political tensions grew, the price of gold rose to an all-time high of more than \$850 an ounce in 1980. As international tensions ease or the political situation stabilizes, the price of gold falls.

BusinessWeek Reader and Case Study

Copper's Golden Hue

The not-so-precious metal's price hits an all-time record, as gold and oil also soar. Here's why this may just be the beginning.

It's a familiar tale. World prices for an industrial commodity soar to record highs as growth in demand—particularly from rapidly industrializing giants like China and India—outstrips increases in output. Talk of nationalization by populist leaders in Third World countries roils the market, and speculators pile in hoping for outsized returns.

Thinking of oil? Not this time. The precious resource we're talking about is copper. Prices for the base metal hit an all-time high of \$7,815 a metric ton on Tuesday, May 9, the same day that gold topped \$700 an ounce, its highest level in 25 years.

And copper prices haven't peaked yet, in all likelihood, despite a nearly 80% run-up since the start of the year. Supplies are stretched tight. Industrialization and urbanization—the

twin forces reshaping the economies of China and India—are also stoking demand, as copper is needed for construction and the manufacture of everything from cars to microprocessors.



CASE STUDY Go to the *Introduction to Business* Online Learning Center through glencoe.com for the *BusinessWeek* Reader Case Study.

Active Learning

Copper is widely used in electronics because it conducts electricity so readily. Research other metals that conduct electricity well and find out what they all have in common. Write an e-mail to your teacher explaining the reasons that increasing demand for these metals can be partially explained by increasing construction and manufacture in India and China.

Eco-Friendly Building

Eco-Friendly building is a term that is used when natural materials, rather than man-made materials, are used in the construction of buildings and homes. Differentiating between man-made and natural material can be difficult in today's world, where technology is present in almost every production process. Since it is tough to completely remove workers from the building process, it is more accurate to define eco-friendly building as construction that minimizes the use of materials that require large amounts of energy for their manufacture. It doesn't mean that you have to live in a log cabin to call your home eco-friendly. The goal of eco-friendly building is to use materials and techniques that don't add to pollution, waste fossil fuels, or misuse the resources of the environment.

Web Quest

Go to the *Introduction to Business* Online Learning Center through glencoe.com for links to Web sites where you can research how eco-friendly building can be used to lessen the environmental impact of construction. Look for information on different types of materials and how they are used. Write a few paragraphs about the materials and how structures can be designed to save energy.

Investing in Precious Gems

Throughout history people have prized the precious gems that lie embedded in rock below the earth's surface. **Precious gems** (or gemstones) are rough mineral deposits (usually crystals) that are dug from the earth by miners and then cut and shaped into brilliant jewels. These gems include diamonds, sapphires, rubies, and emeralds. They appeal to investors because of their small size, beauty, ease of storage, durability, and potential as a protection against inflation.

Whether you are buying precious gems to store in a safe-deposit box or to wear as jewelry, you will want to keep in mind the risks associated with this type of investment. First, you cannot easily convert diamonds and other precious gems into cash. Also, as a beginning investor, you may have difficulty determining whether the gems you are buying are of high quality. Political unrest in gem-producing countries can affect supply and prices. **Finally**, you will likely have to buy your gems at higher retail prices and sell them at lower wholesale prices. The difference is usually 10 percent to 15 percent and sometimes as high as 50 percent.

The best way to know exactly what you are getting in an expensive precious gem is to have the stone certified by an independent geological laboratory, such as the Gemological Institute



"Precious" Investments

Investing in precious metals and precious gems can be simple and fun. You can buy them as jewelry from a trusted company, and then wear your investment. You can also buy shares of stock in companies that mine, process, and sell them. The New York Mercantile Exchange is a trading forum for precious metals. Other exchanges trade stock in precious-gem and metal companies. *Which method of investing in precious metals and precious gems would you prefer? Why?*

of America®. The certificate should list the stone's characteristics, including its weight, color, clarity, and quality of cut. The grading of gems, however, is not an exact science. Experiments have shown that the same stone submitted twice to the same laboratory may get two different ratings.

Despite the attraction of precious metals and gems, the investment risks are sizable, and metals and gems can fluctuate greatly in value.



Explain What are some risks to investing in precious gems?



Commodities Exchanges

Commodities are the raw materials that producers use to create goods and food. There are about 50 different commodities handled on more than a dozen exchanges in the United States and Europe alone. They include: live cattle and pigs, cocoa, cotton, eggs, frozen-concentrate orange juice, plywood and lumber, sugar, foreign money, and mortgage interest rates. *Why do you think people invest in commodities?*

Investing in Commodities

Some people like to “play the market” for commodities such as oil, corn, and coffee. Through a **commodities exchange**, investors can buy contracts for quantities of a given commodity for delivery at a future date. Most investors want to sell their contract before the delivery date. They hope that the price of the commodity will rise in the world market. If it does, they can make a significant return. However, if prices decrease, they can lose a great deal. Even when you think you know the market very well, an unexpected event—for example, a freeze during the time coffee beans are about to be picked—can spell the difference between rags and riches.

Investing in Collectibles

Collectibles are items that appeal to collectors and investors. They can include rare coins and books, works of art, antiques, and stamps. Each of these items offers the knowledgeable collector or investor both pleasure and an opportunity for profit. Many collectors have been surprised to discover that items they bought for their own enjoyment had increased greatly in value while they owned them.

Collectibles on the Internet

Before the Internet became popular, finding items to add to a collection could be time-consuming. Collectors had to pore over magazines for collectors to research the values of items they wished to buy. Then they had to go to shows, sometimes far away, where collectors met to buy and sell their items. That process has changed. The Internet has made buying and selling collectibles efficient and convenient, and the number of Web **sites** for collectors has exploded. Today, eBay is the biggest online auction site.

The Pros and Cons of Online Collecting It is easy to see why the Internet has such appeal. With a few keystrokes, buyers

can search for items to add to their collection. Sellers can reach people around the world. Prices are not necessarily lower on the Internet. Still, it is easier to do comparison shopping, and most Web sites do not charge a commission.

Collecting on the Internet has its drawbacks. Collectibles do not offer interest or dividends. You may have a hard time selling items in your collection at a good price on short notice. If your collection grows significantly in value, you will have to purchase insurance against damage and theft. As an online buyer, you cannot size up a dealer in person or easily examine objects for flaws or trademarks. Furthermore, fraud is an ever-present danger.

Staying Aware of Fraud

Collecting on or off the Internet can be a satisfying hobby and a good investment. Nevertheless, a wise collector must always be alert to **schemes** and scams. **Fraud** is the crime of obtaining money or some other benefit by deliberate deception. How do you know that the baseball glove you bought was actually signed by Mickey Mantle? Could your Civil War-era postage stamp be counterfeit? Is that old Barbie® doll, Lionel® train, or Darth Vader® action figure really authentic? The safest way to steer clear of fraud is to learn everything you can about the items you collect and to buy and sell only with reputable dealers.



Collectibles Are you a collector? Almost everyone is at some time in his or her life. Have you seen or heard of Beanie Babies®, Cabbage Patch Kids®, and Pokémon® cards? They were popular toys that people scrambled to collect in the 1980s and 1990s. Supply and demand affects collecting. When compared with other investments, however, collectibles do not provide reliable returns. *Why are collectibles not as safe as some other investments?*

Section 32.2

After You Read



Review Key Concepts

1. How can precious metals, precious gems, and other commodities as well as collectibles impact an investment plan?
2. Describe the function of a commodities exchange.
3. What are some pros and cons of online investing?

Academic Skills

4. **English Language Arts** Unlike stocks, collectibles can be hard to value and research. Work with a partner to research some of the terms associated with collectibles. Write the definitions of the terms *new-in-box*, *mint condition*, and *fair condition*.
5. **English Language Arts** Create a poster of your dream house. Use magazines, the Internet, or your own drawings to depict the features it will have, where it will be located, and what it will look like. Write captions and callouts describing your home and its features. Then find a real home that looks like your design using a newspaper or the Internet.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Chapter 32 Review and Activities

Section 32.1 Summary

Real Estate Real estate has always been a popular investment for many people in the United States. Unlike stocks and bonds, a piece of property is something that an investor can use. Real estate investments can be in your own home and in income property. With residential property, one can choose from single-family homes, multi-unit housing, and manufactured homes. Income property offers the opportunity to earn money by collecting rent from the property or by selling it for a profit. A major disadvantage of investing in real estate is the difficulty of converting it to cash quickly.

Section 32.2 Summary

Other Investment Options Investing in precious metals, gems, and other commodities, or collectibles can be another way to diversify your investment portfolio. With these types of investment, the only way an investor can profit is to sell the item for more than the purchase price. With any of these investments, there is considerable risk. Investors should be sure to develop an understanding of the market and the items in that market. Being aware of possible fraudulent practices in the areas of gems and collectibles is important. This is especially true for online collectors.

Vocabulary Review

1. On a sheet of paper, use each of these key terms and academic vocabulary terms in a sentence.

Key Terms

real estate	diversify
residential property	precious metals
real estate agent	precious gems
equity	commodities exchange
income property	collectibles
rental property	fraud
undeveloped property	

Academic Vocabulary

attached	finally
fluctuate	despite
assembled	sites
nevertheless	schemes

Review Key Concepts

2. Describe the three types of residential property.
3. Discuss aspects of home buying that a potential home owner should know.
4. Determine the differences between rental property and undeveloped property.
5. Describe how precious metals, precious gems, and other commodities as well as collectibles can impact an investment plan.
6. Discuss the advantages and disadvantages of buying and selling collectibles online.

Critical Thinking

7. Why do you think some people prefer to buy a condominium instead of a single-family home?
8. Why do you think people are willing to go into debt to buy a home?
9. Some people think that land will always increase in value because there is a limited amount of it and an increasing number of people to use it. Do you think this is true? Why or why not?
10. Why might someone who has money to purchase a home opt to rent instead?
11. What warnings would you give a friend who is interested in putting most of his savings into baseball cards?
12. Why might it be better to sell a collectible through eBay than an antiques dealer?
13. Indicate whether investing in commodities is a low- or high-risk type of investment. Support your position.

Write About It

14. Research precious and semi-precious stones. Choose at least two each. In a one-page paper, discuss what makes them more valuable or less valuable than others.
15. Write at least two paragraphs indicating the advice you would give a friend who is thinking of buying a home.
16. In two or more paragraphs, discuss the risks associated with buying income property, precious gems, or other commodities.
17. Watch a TV program or go to an auction that focuses on collectibles. Write at least one page indicating what you have learned about collectibles.
18. What effect do anti-fraud laws have on the art market? Develop a paragraph supporting your answer.
19. In at least two paragraphs, explain what would happen to investments in precious gems and metals if the economy were strong. How would the results differ if the economy suffered a decline?

Technology Applications

Internet

20. Suppose you are a potential real estate buyer or seller. Go to the Web sites of at least three real estate firms in your area. Scan the listings that they have. What did you see at the Web sites that you think was helpful? Write at least 250 words about what you liked about the listings and what you think should be improved.

Business Ethics

Finding a Valuable Item

21. Imagine that you own a secondhand shop. One day, a man brings in a box of trinkets from his grandmother's attic. He says it is all junk and asks for \$10. You glance through it and agree. After he leaves, you notice a pocket watch buried in the corner. You realize it is worth thousands of dollars. What should you do?

Chapter 32 Review and Activities

Applying Academics to Business

English Language Arts

22. Choose a character from a novel or play you have read. Research homes in your region that are for sale, and choose one you think might be appropriate for your character. Think about whether your character would be likely to live in the country or in the city, in a modest cottage or in a mansion. Write a paragraph or two about why the house you have chosen fits the character.

Mathematics

23. Wanda purchased an income property for \$100,000. Her annual expenses were about \$14,400, and the monthly income from rent averaged \$1,500. She sold the property after three years for 17% more than the amount she paid for it. What was her net gain?

CONCEPT **Net Gain** Net gain is the difference between the original value of an asset, or what you paid for it, and the value of all cash generated from owning it.

English Language Arts

24. Property can refer to possessions, land, or products of the mind, called intellectual property. Find synonyms or examples for the word *property*, and list them under the three categories.

Mathematics

25. Imagine that you have \$5,000 to invest and you decide to invest in three different precious metals. Using the Internet, you track the prices daily for a month and then display your data in a graph. Tell what type of graph would be best to display the data you have gathered. Explain why it is appropriate and other types are not.

CONCEPT **Data Analysis** Different types of graphs are suitable for displaying different types of data. Types of graphs include pie or circle charts, line graphs, bar graphs, scatter plots, and histograms.

Active Learning

Selling a House

26. Identify a person in your family or neighborhood who has just sold a house. Interview that person, asking the following questions: What did you do to the house before putting it on the market? Did you use a real estate agent? Why or why not? What did you find most difficult about selling your home? Indicate your findings in a one- to two-page paper.

Business in the Real World

Profile a Career

27. Research the careers associated with the real-estate profession. Choose one of the following: sales agents, brokers, real-estate lawyers, appraisers, and urban planners. Interview someone in the profession. How did he or she prepare for it? What type of education or training is required to do the job? Write a one-page paper on your findings.

Real LIFE skills

DEVELOPING HOME-BUYING SKILLS

28. Interview someone who owns a house about what is involved in home ownership. Ask the following questions: What was the main reason you purchased a house? What are the difficulties that you had in purchasing a house? What are the costs of owning a home? If you sold it, would you buy another one? Write a report of at least one page on your findings. Discuss your report with your classmates.

Cool Business CAREERS

FIND YOUR DREAM JOB

29. Go to the *Introduction to Business* Online Learning Center through glencoe.com for a link to the Occupational Outlook Handbook Web site. Click on the “OOH Search/A-Z Index” link and enter the job category “jewelers and precious stone and metal workers.” Then write a one-page report about this area of occupation. Conclude your report with a list of things you could do now to prepare yourself to pursue the occupation.

Role Play

REASON FOR BUYING INCOME PROPERTY

30. **Situation** You are a real estate agent meeting with someone who has money to invest. This person would like to invest in real estate, stocks, or bonds.

Activity You are trying to encourage this investor to put his or her money into rental income property instead of stocks or bonds.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Discuss the advantages and disadvantages of owning income property.
- Identify the advantages and disadvantages of owning stocks and bonds.
- Develop your arguments in an organized way.
- Use correct English and project your voice.

Standardized Test Practice

Directions Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

1. Which is the best synonym for the word *gem* as it is used in this chapter?

- A delight
- B dear
- C jewel
- D find



TEST-TAKING TIP Eat well before taking a test. Have a good breakfast or lunch and avoid junk food. Studies show that you need good nutrition to concentrate and perform your best.



READING Go to the *Introduction to Business* Online Learning Center through glencoe.com for a list of outside reading suggestions.

Real-World Business and Career Profile

Photo Credit: Michael Keller/Index Stock



**John Calhoun
Rod Hill**

CEO & COO, Integrated Management Services Engineers

Based in Jackson, Mississippi, IMS offers civil engineering services. IMS is one of only a handful of minority-owned engineering firms in the United States. This interview is with John Calhoun. John Calhoun and Rod Hill founded the firm.

Q & A

Describe your job responsibilities.

John: As CEO, I am responsible for the success and failure of the company's operations, marketing, strategy, financing, and creation of company culture. My main duty as CEO is formulating a strategy and vision. The CEO ultimately sets the direction. The CEO's second duty is building culture. Work gets done through people, and people are profoundly affected by culture. Culture is built in dozens of ways, and the CEO sets the tone.

What skills are most important in your business?

John: Resourcefulness, good listening and communication skills, a sharp and inquisitive mind to probe for answers, and the ability and discipline to maintain a meaningful and healthy lifestyle.

What is your key to success?

John: A broad education, broad curiosity, boundless enthusiasm, belief in people and teamwork, willingness to take risks, devotion to long-term growth, rather than short-term profit, commitment to excellence, readiness, and vision.

Some entrepreneurs start their companies alone. IMS was developed as a partnership. Do you see any challenges in partnerships versus going it alone?

John: Rod and I knew we wanted to create a quality engineering firm. Our partnership is based on mutual respect and friendship. We were best friends at college. We bring different strengths to the partnership. Rod is an engineer—very methodical. I'm much more free spirited. But although we might disagree on how to get there, we both agree on where *there* is.

What advice would you give students interested in starting a business?

John: Have big dreams and never stop dreaming of more. Know how to define success for yourself. Don't have someone define it for you. Establish excellent networks of people who support what you are doing. View obstacles as challenges and, at times, welcome them. Walk through fear and take calculated, or sometimes bold, risks.



Critical Thinking *What consequences might result from launching a niche company?*

Some Qualifications Needed to Own a Civil Engineering Firm

Academic Skills and Abilities

Physics; engineering; mathematics (especially algebra, geometry, trigonometry, and calculus); interpersonal skills; general business management skills; verbal and written communication skills; multitasking, organizing, and planning skills

Academic Skills Required to Complete Tasks at Integrated Management Services Engineers

Tasks	Math	Science	English Language Arts
Hold meetings			◆
Assign duties			◆
Design to meet customer needs	◆	◆	◆
Oversee construction	◆	◆	◆
Maintain safe work sites	◆	◆	◆
Schedule employees	◆		◆
Order supplies and equipment	◆		◆
Analyze financials	◆		◆

Education and Training

For a typical bachelor's degree in engineering, the first two years are spent studying mathematics, basic sciences, introductory engineering, humanities, and social sciences. In the last two years, most courses are in engineering, usually with a concentration in one specialty.

Career Path

The major civil engineering specialties are structural, water resources, construction, environmental, transportation, and geotechnical engineering. Many civil engineers hold supervisory or administrative positions, from supervisor of a construction site to city engineer. All 50 states and the District of Columbia require licensure for engineers who offer their service to the public. Independent of licensure, various certification programs are offered by professional organizations to demonstrate competency in specific fields of engineering.

Preparing for a Career Self-Assessment Checklist

Use this self-assessment checklist to help determine ways you can build a successful career path.

- ✓ Keep your work area neat and organized to enhance safety and efficiency.
- ✓ Be professional. Limit personal phone calls, non-work-related e-mail, and distractions.
- ✓ Plan your day's schedule, keeping in mind any meetings and duties that require you to be considerate of other people's time.
- ✓ Complete the most important work first—don't get caught up in minor details.
- ✓ Avoid procrastinating—it may prevent you from producing top-quality work on schedule.
- ✓ Tackle one task at a time, and do not get side-tracked.
- ✓ Try to empathize with customers and co-workers to gain a better understanding of the situation.
- ✓ Pay attention to body language. Be alert to facial expressions, which often give clues to a person's inner feelings.

Unit 10 Thematic Project

Building a Financial Future

You want to make your future as secure as possible. You want to plan for the future by building and managing your personal finances, making and living within a budget, and planning your financial future.

Thematic Project Assignment

In this project you will write a personal financial plan that describes how you want to plan for your financial future. Your plan might include a savings account, investments in bonds or stocks, or a retirement fund.

Step 1 Brainstorm Skills You Need to Complete This Activity

Your success in writing a personal financial plan will depend on your skills. Preview the activity, then brainstorm a list of the skills you will need to use to complete the activity and describe how you will use them. Skills you might use include:

- Academic Skills** reading and writing
- Basic Skills** speaking, listening, and thinking
- Technology Skills** word processing and keyboarding



SKILLS PREVIEW Go to the *Introduction to Business* Online Learning Center through glencoe.com for a graphic organizer you can use to brainstorm the skills you will use to complete the project.

Step 2 Think About the Financial Future You Want

Think about what you want your future to be like. Do you want to own a home someday? Would you like to have a family? Do you want to someday retire from your job? Would you like to travel? Think about how much money you will need to do some of the things you want in the future.

Step 3 Build Background Knowledge

Preview information on building a financial future.

Building a Financial Future

Dreaming about what the future holds for you is one thing. Being practical and building a financial future is quite another. Building a secure financial future takes research, careful planning, and discipline. First, you must research to be able to make wise choices about where to invest or to put your money. Second, you must plan how you are going to save and put money away for

investments. Third, you must have the discipline to put money into a savings account or some other investment account.

Building a financial future is an important part of adulthood and should be an important part of everyone's life. No one knows what the future holds. The more secure you are financially, the better your future will be.

Step 4 Connect with Your Community

Interview two adults in your community about how they have planned for their financial future. Ask the adults how they learned about financial planning. Think about how important it is to plan for your financial future.

Step 5 Research How to Plan for Your Financial Future

Use library and Internet resources to research ways you can plan for your financial future. Use the checklist as a guide to your research. Keep records of your sources of information.

Step 6 Develop a Plan for Your Financial Future

Use word-processing and spreadsheet software to develop a plan for your financial future that includes all of the information described in the project checklist.

Developing a Plan for Your Financial Future

- ✓ Make a list of two things you want for your future. These might include a new vehicle, a home, a vacation, a college education, or a family.
- ✓ Use library and Internet resources, phone calls, or personal interviews to research the cost of each of the things on your list. For example, contact a local college to learn what the cost is of a two-year or four-year degree. Write this amount next to “a college education” on your list.
- ✓ Visit local banks in your area to learn about savings accounts, CDs, special college savings accounts, and other ways to save money. Also, use the Internet to research other types of investments, such as stocks and U.S. savings bonds.
- ✓ Create a chart that illustrates the items you want for your future, the amount you predict you will need, how you plan to obtain the money (such as through a savings account or by buying U.S. savings bonds), and when you will need the money.

Self Connections

- ✓ Describe the results of your research with the adults you interviewed.
- ✓ Explain what the investigation and its results mean to you.

Step 7 Evaluate Your Presentation

@ **RUBRIC** Go to the *Introduction to Business* Online Learning Center through glencoe.com for a rubric you can use to evaluate your final report.

